United Nations A/C.2/65/L.6

General Assembly

Distr.: Limited
15 October 2010

Original: English

Sixty-fifth session
Second Committee
Agenda item 18 (c)
Macroeconomic policy questions: external debt sustainability and development

Yemen:* draft resolution

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008 and 64/191 of 21 December 2009,

Recalling also the United Nations Millennium Declaration, adopted on 8 September 2000,[1]

Recalling further its resolution 57/270 B of 23 June 2003,

Recalling the 2005 World Summit Outcome,[2]

Recalling also its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Recalling further the International Conference on Financing for Development and its outcome,[3] and the 2008 Doha Declaration on Financing for Development,[4]

Recalling the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,[5]

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* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] See resolution 55/2.

[2] See resolution 60/1.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[4] Resolution 63/239, annex.

[5] Resolution 63/303, annex.

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Recalling also the High-level Plenary Meeting of the sixty-fifth session of the General Assembly on the Millennium Development Goals and its outcome,

Recognizing the important role, on a case-by-case basis, of debt relief, debt restructuring and debt cancellation as debt crisis prevention and management tools for mitigating the adverse impact of the world financial and economic crisis in developing countries,

Recognizing also that national efforts made by developing countries in the achievement of development goals should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reaffirming that multilateral institutions, including the United Nations and the Bretton Woods institutions, and other relevant organizations should continue to play an important role, given their respective mandates, in assisting countries in achieving and maintaining debt sustainability,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as the world financial and economic crisis, should continue to be taken into account in debt sustainability analyses,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals,

Acknowledging that debt crises tend to be costly and disruptive, especially for the poor and other vulnerable groups, and that they also have a negative impact on access to social services, including education and health services, reducing human capital accumulation and long-term economic growth,

Recognizing the importance of international responses to the emerging and persistent challenges associated with the world financial and economic crisis, and acknowledging that many developing countries are being hit by large negative external shocks that are reversing their development gains, undermining the achievement of the Millennium Development Goals by 2015 and making aid commitments and global solidarity ever more essential to the attainment of a positive outcome for all,

Expressing concern that the negative impact of the world financial and economic crisis on development is still unfolding and is threatening the debt sustainability of developing countries through, inter alia, its impact on the real economy, the increase in borrowing undertaken to mitigate the negative impacts of the crisis, and the volatility of aid flows and capital flows, which has increased the risks to the debt sustainability of many developing countries,

Recognizing that the turnaround of capital flows, in particular short-term inflows of speculative capital, may push countries with limited international monetary reserves into a financial and currency crisis, and stressing the need for a coherent international monetary system that supports these countries in order to prevent the fall of their national currencies,

Noting with appreciation that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative and bilateral donors have provided significant debt relief to thirty countries that have reached the completion point and six countries that have reached the decision point under the Heavily Indebted Poor Countries Initiative, and expressing concern that four out of forty eligible heavily indebted poor countries have still not reached the decision point,

Noting that, while the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have enabled some heavily indebted poor countries to increase their investments in health, education and other social services, consistent with national priorities, development plans and the internationally agreed development goals, including the Millennium Development Goals, some post-completion-point countries remain classified as being at high risk of debt distress, and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Heavily Indebted Poor Countries Initiative,

Stressing the importance of addressing the challenges of the ten eligible countries that are facing difficulties in reaching the decision or completion point under the Initiative, and expressing concern that nearly all of them are classified as fragile economies, which indicates their need for additional assistance to expedite debt relief,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General on external debt sustainability and development;[6]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries in order to ensure their economic growth and development;

3. *Stresses* the importance of responsible lending and borrowing, emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations, and calls upon all Member States, and encourages the representatives of the Bretton Woods institutions, the regional development banks and other relevant multilateral financial institutions and stakeholders, to contribute to the ongoing discussions on the initiative of the United Nations Conference on Trade and Development to promote responsible sovereign lending and borrowing, with a view to the establishment of a set of voluntary principles and guidelines on responsible and sustainable lending and borrowing practices for creditors and debtors;

4. *Underscores* the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact

[6] A/65/155.

of developments in financial markets, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

5. *Underlines* the fact that the long-term sustainability of debt depends on, inter alia, the economic growth, mobilization of domestic resources and export prospects of debtor countries, and hence on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

6. *Recognizes* the enormity and the multidimensional nature of the world financial and economic crisis and the significant risks that it poses to the debt sustainability of some developing countries and countries with economies in transition, and emphasizes the need for coordinated policies aimed at fostering counter-cyclical debt financing, debt relief and debt restructuring, with streamlined conditionalities and the provision of additional resources;

7. *Urges* the continued monitoring by the United Nations and the international financial institutions of global financial flows and their implications for the restoration of sustained economic growth, sustainable development and debt sustainability;

8. *Stresses* the need to assist developing countries in responding to the crisis without incurring the risk of relapsing into another debt crisis, and calls for the continued provision of concessional and grant-based financing to low-income countries to enable them to respond to the crisis;

9. *Notes* the provision by the International Monetary Fund of interest relief to low-income countries in the form of zero-interest payments on financing from concessional lending facilities until the end of 2011, and calls for a temporary moratorium on the official debt of low-income countries until the end of 2011 in order to provide them with the much-needed fiscal space to respond to the crisis;

10. *Also notes* that developing countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of the crisis and stabilize macroeconomic developments;

11. *Stresses* the importance of assisting developing countries in avoiding a build-up of unsustainable debt, including through capacity-building in the area of debt management and the use of grants and concessional loans;

12. *Underlines* the important role played by the Debt Sustainability Framework for low-income countries, jointly developed by the International Monetary Fund and the World Bank, in helping to guide borrowing and lending decisions, takes note of the recent review of the flexibility of the Framework, and encourages the continued review of the Framework with the full engagement of borrower Governments, in an open and transparent manner;

13. *Recognizes and encourages* the continued provision of assistance, including technical assistance, to enhance debt management, negotiation and renegotiation capacities, including supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors, in order that debt sustainability may be achieved and maintained;

14. *Recognizes* the gaps in the legal structure of the Paris Club agreements, and calls upon the international community to address the problems raised by litigious actions of vulture funds and the disruptive nature of their activities;

15. *Takes note* of the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative, while expressing concern that some countries have yet to reach decision or completion points, calls for their full and timely implementation and for the provision of continued and additional support to the remaining eligible countries in expediting the completion of the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;

16. *Notes* that some low- and middle-income developing countries that are not included in existing debt relief initiatives also experience constraints on mobilizing the resources needed to achieve the internationally agreed development goals, and stresses the need for the provision of new and additional resources to assist these countries in coping with the consequences of the crisis, and therefore calls for an extension of the sunset clause in order to make it applicable to countries not currently included under these initiatives;

17. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy its full benefits unless all creditors, including public and private, contribute their share and become involved in the international debt resolution mechanisms to ensure the debt sustainability of these countries;

18. *Encourages* donor countries to take steps to ensure that resources provided for debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative do not detract from official development assistance resources intended to be available for developing countries;

19. *Encourages* further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

20. *Takes note* of the International Monetary Fund lending facilities created in response to the crisis, calls for their continued review through, inter alia, the elimination of tight ex ante conditions, and urges the multilateral development banks to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, bearing in mind that new lending facilities will have to consider those countries' individual absorptive capacities and debt sustainability;

21. *Welcomes and encourages* the efforts of the heavily indebted poor countries, calls upon them to continue to strengthen their domestic policies to promote economic growth and poverty eradication through, inter alia, the creation of a domestic environment conducive to private-sector development, a stable macroeconomic framework, and transparent and accountable systems of public finance, and in this regard invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including by providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

22. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth, economic development and the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives;

23. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessionary financing, the cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative;

24. *Also calls for* the adoption of policies for mitigating the prevalence and cost of debt crises which involve the promotion of newer, safer debt instruments and regulation aimed at reducing destabilizing capital flows;

25. *Acknowledges* the inability to implement long-term forecasts, stresses the need to move towards a debt structure under which repayment is explicitly linked to a country's ability to pay in the short and medium term, and promotes the use of debt indexed to gross domestic product or commodity prices as well as debt denominated in local currency, as these debt instruments play an important role in insulating countries from external shocks and increase debt sustainability;

26. *Notes* that an effective international lender of last resort can serve as an instrument for crisis prevention and management by committing to provide financing if a liquidity crisis arises, and calls for the creation of a well-functioning international lender of last resort, complemented by domestic and international capital account management policies aimed at limiting destabilizing capital flows;

27. *Recognizes* the need to adequately address sovereign debt crises and calls for the establishment of a United Nations working group that includes the participation of all relevant stakeholders, including the multilateral financial institutions, to examine options for debt restructuring and resolution mechanisms that take into account the multiple dimensions of debt sustainability and how it could help developing countries to achieve the internationally agreed development goals, including the Millennium Development Goals;

28. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative, to take into account their medium-term debt sustainability in addition to their financing gaps, and takes note with appreciation of the Evian approach of the Paris Club in providing different terms of debt relief in order to respond to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

29. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means of addressing this issue, and notes that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics;

30. *Notes* the changing composition of the sovereign debt of some countries, which has shifted increasingly from external public debt to domestic debt, notes that the levels of domestic debt could create other challenges for macroeconomic management and public debt sustainability, and calls for reinforcing the capacity of developing countries to collect and disseminate data and to manage the new levels of domestic debt in order to maintain overall public debt sustainability;

31. *Recognizes* that a shift has occurred from official to commercial borrowing and from external to domestic public debt, although for most low-income countries external finance is still largely official, notes that the number of creditors, both official and private, has increased significantly, and stresses the need to address the implications of these changes, including through improved data collection and analysis;

32. *Calls for* the intensification of efforts to prevent debt crises by enhancing international financial mechanisms for crisis prevention and resolution, in cooperation with the private sector, and by finding solutions that are transparent and agreeable to all;

33. *Recognizes* the roles of the United Nations and the international financial institutions in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustainable development and a durable solution to the debt problem of developing countries;

34. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed and case-by-case basis, the use of innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goals projects;

35. *Stresses* the need for the international community to avoid complacency and remain vigilant in monitoring the debt situation of least developed countries, and to take effective measures to ensure that grant and concessional financing is readily available, in addition to cancellation of the multilateral and bilateral debt owed by least developed countries;

36. *Invites* donor countries and multilateral financial institutions to continue their efforts to increase grants and concessional loans to developing countries as the preferred modalities of financial support, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest in health and education, inter alia, while maintaining debt sustainability;

37. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit rating agencies also play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and in this regard requests the Secretary-General to submit a report on oversight over credit rating agencies consistent with the agreed and strengthened international code of conduct;

38. *Calls for* the consideration of enhanced approaches to sovereign debt restructuring mechanisms, with the broad participation of creditors and debtors, and the comparable treatment of all creditors, and in this regard welcomes and calls upon all countries to contribute to the ongoing discussions in the United Nations,

the Bretton Woods institutions and other forums on the need for, and the feasibility of, a more structured framework for international cooperation in this area;

39. *Welcomes* the efforts of and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

40. *Also welcomes* the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns, while taking into account their specific situation and needs;

41. *Further welcomes* the efforts of and calls upon the international community to increase financial support for institutional capacity-building in developing countries for the management of financial assets and liabilities, and to enhance sustainable debt management as an integral part of national development strategies;

42. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

43. *Recognizes* that good data can help in formulating good policies and that properly functioning statistical offices are a condition necessary for the conduct of economic policy, further acknowledges that timely and comprehensive data on the level and composition of debt are a condition necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for countries to intensify their efforts to collect data, and calls for donors to increase their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

44. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

45. *Requests* the Secretary-General to submit to the General Assembly at its sixty-sixth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation of developing countries;

46. *Decides* to include in the provisional agenda of its sixty-sixth session, under the item entitled "Macroeconomic policy questions", a sub-item entitled "External debt sustainability and development".